

Growing Farmers' Cooperatives:





Adding Value In Central Appalachia

Two models of networks/cooperatives:



Appalachian Harvest of ASD (Appalachian Sustainable Development: Anthony Flaccavento, Executive Director)

A nonprofit-facilitated network of 15+ small, rural growers in northeast TN and southwest VA supplying value-added (organic) produce for mass merchandisers (supermarket chains)



Appalachian Spring Cooperative (begun by Jubilee Project, Inc.: Steve Hodges, Executive Director)

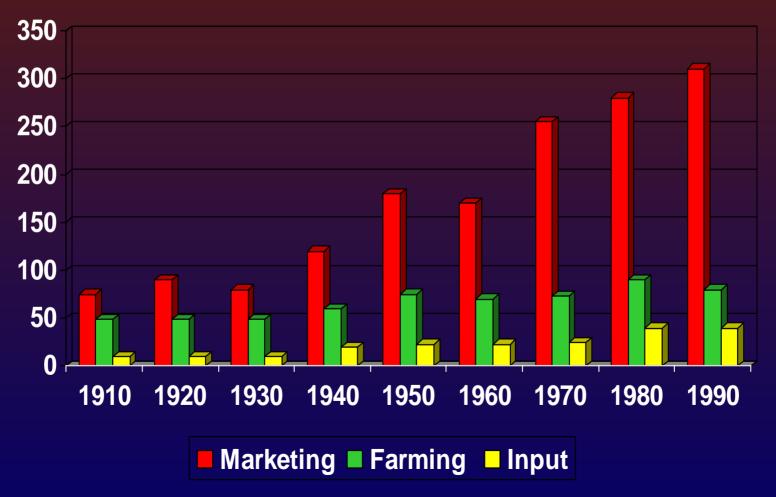
A member-owned agricultural cooperative of 60 small farmers and entrepreneurs in northeast TN and southwest VA for marketing their value-added food products (processed/packaged foods) for retail and wholesale markets

Pennies on the Dollar The Farmer's Cut

(Source: USDA Yearbook of Agriculture, 1997)



American Agriculture divided into Marketing, Farming & Input Sectors

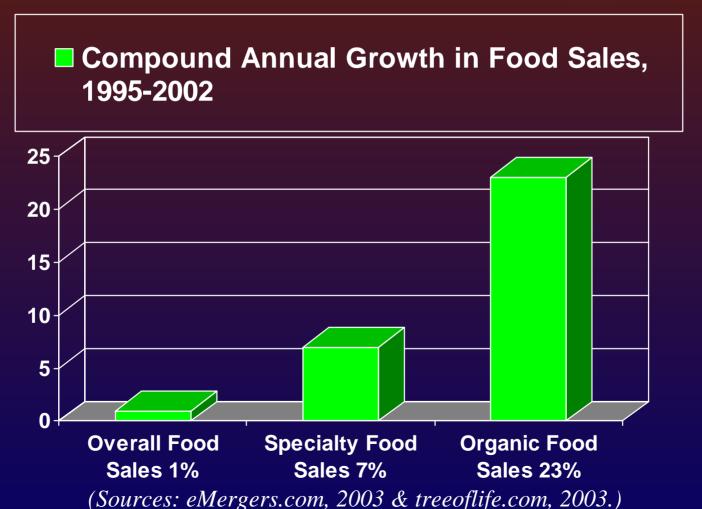


Why Add Value?

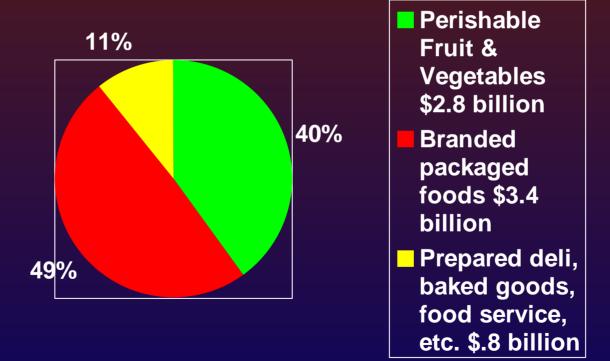
- Increased price, profit & income: capturing a greater share of the food dollar (e.g. processing, marketing/ distribution)
- Access to specialty markets, some paying premium prices (e.g. organic, gourmet)
- Increased shelf life and ease of distribution for packaged food products



Food Market Trends Show Niche Opportunities



Organic Food & Beverage Sales in the U.S., 2001



(Source: Gale Group, 2003, for the Organic Consumers Association)

"Buy Local" Interest Strong

- In surveys around the U.S. 70%-80% of consumers prefer to buy local foods*
- In local survey, 40% would be willing to spend 30% to 50% more for a local food product (ASD Consumer Survey)
- Main reasons consumers say they buy local: *
 - #1 Supports local economy (29%)
 - #2 Freshness of food (27%)
 - #3 Health & environment mentioned less often

^{*}FoodRoutes.org, consumer surveys by member groups

Valuing "natural capital" is crucial for natural resource-dependent, laborintensive farming communities for many reasons, including market potential of local, organic foods

- Natural capital is a long-term asset
- Owners of most natural capital are small & private, not public
- We must assist these owners both as entrepreneurs and as <u>stewards</u>

Self reliant, sustainable community & agricultural development requires infrastructure lacking in rural regions

Key Elements:

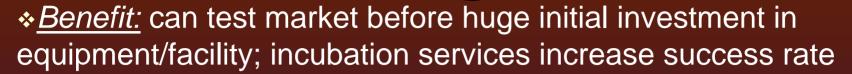
- Facilities for adding value: wash/grade, processing
- Mechanisms for accessing markets, distribution
- Research & educational capacity that spawns innovation and sustainable production practices
- Must be accessible to & grounded in communities
- Networks or Cooperatives helpful for aggregating financial power, ideas, marketing efforts, visibility

Clinch-Powell Community Kitchens: Adding Value by Processing



- A shared-use, inspected commercial food processing facility & business incubator
- Product/Recipe development services
- Business Planning Assistance
- Access to Credit
- Training & technical assistance
- www.clinchkitchens.org
- A program of Jubilee Project, Inc.





Capacity: 4000 jars/day high-acid & acidified vegetable & fruit foods like salsa, jellies, pickles, marinades, mustards, sauces













Appalachian Harvest: Adding Value Through Cooperative Grading, Packing, Marketing of Organic Produce





A program of Appalachian Sustainable Development

Through the Appalachian Harvest program of ASD, Farmers in northeast Tennessee and southwest Virginia collaborate in:

- 1. centralized washing/ grading facility
- 2. centralized distribution to sell fresh local produce
- 3. "umbrella" AH brand emphasizing local and organic features of the food





Appalachian Spring Cooperative:

A member-owned marketing cooperative of value-added producers



Salsas, jellies, relishes, pickles, marinades, BBQ & hot sauces, honey products, soups, habanero extract, mustards, sweet potato & pumpkin butters, herbal salves (www.apspringcoop.com)

Organized by Jubilee Project, Inc.

The Appalachian Spring Cooperative Deal...

- 1. Business planning & development assistance
- 2. Low-cost Product Liability Insurance & Bulk

Purchasing

- 3. Low-cost umbrella label
- 4. UPC Bar Codes, Nutrition Panels
- 5. Centralized marketing services
- 6. Access to technology and training
- 7. Website design & online sales





PROS:

- ■Produce: Attracts larger, more traditional growers
- Produce and Packaged Foods: Larger markets allow producer businesses to grow without additional search for markets or additional distribution cost

CONS:

- ■Produce: Lower prices/higher quality expectations & more "2nds" to deal with
- ■Produce: Greater cost of labeling, labor and other packaging
- ■Packaged: Most wholesale markets new to gourmet foods, not yet comfortable with premium prices
- ■Packaged: Slotting fees for packaged foods can eliminate profit margin
- Packaged: Year-round and volume demanded can overwhelm small producer

ALTERNATIVE: Small chains of gourmet and specialty food retail stores

Lessons Learned #2: Networks or Cooperatives?

Both Networks and Cooperatives help farmers...

- gain access to larger, better markets
- assure consistency and quality control
- learn new production practices & marketing standards
- build a "market presence" for regional products

Networks:

 Non-profits usually must play continual role of initiator and/or facilitator; provides initial stability but funding resources very limited

Cooperatives:

 Member-owned and –controlled means greater buy-in by farmers and greater chance of financial sustainability, but organizational capacity-building a crucial and difficult additional task

Lessons BEING Learned #1: Can telecommunication technology strengthen cooperatives?

<u>Tele-Guild Project</u> (Just begun): Appalachian Spring Cooperative members spread out over 5+ remote counties are

- trained on laptop computers to track and improve their food product businesses against approved business plans,
- 2. participate in an online community for marketing coordination and other cooperative activities
- 3. Increase marketing channels to include an e-commerce strategy

Funded by a U.S. Department of Commerce's Technology Opportunity Program 3-Year Competitive Grant to Jubilee Project; begun November 2003

Lessons BEING Learned #2: Can food producer cooperatives gain from the development of local and regional food systems?

Northeast Tennessee Food Council: (now under formation)

- 1. Collect and publicize information on hunger, nutrition, food production and consumption, and other food security measures in a 10-county region
- Initiate, support and coordinate a range of community food security projects including farmer market, senior and school nutrition programs; farm-to-cafeteria programs; and buy local programs
- Develop policy recommendations for improved state and federal policy on the intersection of food, farm and nutrition issues
- 4. Explore the potential of linking local/regional food systems and buy local programs in other areas of the U.S. which also work with small food producers

For More Information:



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Clinch Powell Community Kitchens of Jubilee Project: www.clinchkitchens.org



Appalachian Spring Cooperative: www.apspringcoop.com